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Attorneys for Defendants, Project Spokane and Sean Walsh

**IN THE UNITED STATES DISTRICT COURT FOR THE  
DISTRICT OF MONTANA  
MISSOULA DIVISION**

STEVE NELSON, MICHAEL  
BOEHM AND BONNER PROPERTY  
DEVELOPMENT, LLC.,

Plaintiffs,

vs.

PROJECT SPOKANE, LLC,  
and SEAN WALSH,

Defendants.

**No. CV 20-82-M-DWM**

**DECLARATION OF  
SEAN WALSH**

1. My name is Sean Walsh. I am the defendant named in the above-entitled action and am the sole member of co-defendant, Project Spokane, LLC. I am familiar with the facts and events with respect to the allegations of Plaintiffs' Complaint.

2. HyperBlock, LLC is a Delaware limited liability company.

3. Attached hereto as Exhibits A and B are the promissory notes from HyperBlock LLC to Project Spokane and Sean Walsh respectively.

4. Attached hereto as Exhibits C and D are the security agreements executed by HyperBlock LLC granting liens to Project Spokane LLC and to Sean Walsh. The Project Spokane security agreement is executed by Inder Saini, the HyperBlock Inc. and HyperBlock LLC chief financial officer. The Project Spokane lien attached to "[A]ll assets acquired by HyperBlock, . . ." The Walsh security agreement was executed by Jason Vaughan, the Missoula site manager. The Walsh lien attached to "[A]ll of Debtor's right, title, and interest in and to Debtor's personal property, whether now or hereafter owned, existing, arising or acquired wherever located including, without limitation, all of Debtor's Accounts; Chattel Paper; Deposit Account; Document; Equipment; Fixture; General Intangibles; Instruments; Inventory; Investment Property; and Letter of Credit Rights."

5. Attached as Exhibit E is a certified lien report from the Delaware Secretary of State dated March 30, 2020. The lien report shows:

a. Project Spokane, LLC filed a financing statement on July 10, 2018 and an amendment on February 15, 2019.

b. Acrius Capital, LLC filed a financing statement on June 5, 2019.

c. Sean Walsh filed a financing statement on July 19, 2019.

6. Attached hereto as Exhibit F is a certified lien report from the Delaware Secretary of State dated May 20, 2020 that shows that Acrius Capital, LLC filed a termination statement on March 31, 2020.

7. The amount now due to Project Spokane, LLC is \$5,610,417; the amount now due to Walsh is \$2,264,167.

8. HyperBlock Inc. was a publicly traded Canadian corporation. HyperBlock Inc. was the result of the amalgamation of HyperBlock Technologies Corp. and CryptoGlobal Corp. through a Plan of Arrangement approved by an Order of the Superior Court of Justice in June 2018. (Nelson Dec., Exhibit 5). HyperBlock Inc. then organized HyperBlock LLC, a Delaware limited liability company. As early as November 2017, I discussed the Project Spokane / HyperBlock LLC asset purchase agreement with Steve Nelson. BPD consented to the assignment of Project Spokane's lease to HyperBlock LLC. (Nelson Dec., Exhibit 7).

9. Project Spokane sold its assets to HyperBlock LLC and was paid in cash, and a secured promissory note for CAD \$5,000,000. Exhibits A and C. The transaction was described in a Canadian Form A Listing Statement dated July 10, 2018; the Listing Statement is a public document (a copy is attached to the Lynch Dec., Attachments A and B, filed in *Energy Keepers Inc. v. HyperBlock LLC*, et al., 20-cv- 00076-DWM. (ECF No. 9-2, pp. 25, 25, 49, and 50).

10. In December, 2108 BPD, HyperBlock LLC, and the Bank of Montana entered into a transaction for the purpose of expanding the HyperBlock LLC mining operation at the BPD facility. HyperBlock LLC obtained a loan from Bank of Montana for the purpose of site improvements. In December, 2018, HyperBlock LLC entered negotiations with Bonner Property Development, LLC (“BPD”) to expand the capacity of HyperBlock’s data center, operated at the BPD facility in Bonner, Montana. Specifically, HyperBlock sought to expand the electric capacity from 20 Megawatts (MW) to 60MW, which necessitated a 40MW outdoor electrical substation to be owned by HyperBlock. The negotiations were conducted between the on-site manager of HyperBlock, Dan Stivers, and Steve Nelson. An agreement was made between HyperBlock, BPD, and the Bank of Montana for the financing of the substation (the “Expansion Financing Documents”).

11. HyperBlock LLC was unable to move forward with the planned electric capacity expansion because Missoula County unexpectedly changed their building codes to effectively prevent HyperBlock LLC's expansion, and to prevent any new cryptocurrency mining operations in the County.

12. In June, 2019, I lent HyperBlock \$2,000,000, secured by all its assets., copies attached as Exhibits B and D.

13. In December 2019 and January 2020, HyperBlock LLC and BDP discussed a proposal to acquire additional new-generation servers. The agreement including the terms of the Bank of Montana loan were modified (the "Modified Expansion Financing Documents"). Following the execution of the Modified Expansion Financing Documents, HyperBlock LLC purchased 1493 Bitmain servers at a total cost of approximately \$2,600,000.

14. The parties to the Expansion Financing Documents and the Modified Expansion Financing Documents are HyperBlock LLC, BPD, and Bank of Montana. Neither I nor Project Spokane are parties to either the Expansion Financing Document or the Modified Expansion Financing Documents.

15. Although I authorized my executive assistant to attach a digital image of my signature to the Expansion Financing Documents and the Modified Expansion Financing Documents, I did so in my capacity as Chief Executive Officer of HyperBlock LLC. Further, other than executing the documents in my

representative capacity for Hyperblock LLC, I was not personally involved in the negotiation of these documents, nor did I even read these documents until a brief review, two days ago, on June 20, 2020. Instead, the negotiations related to each transaction were handled by 4-5 other members of the management team, those tasked with HyperBlock's day-to-day operations.

16. I can unequivocally state that at the time the Expansion Financing Documents and the Modified Expansion Financing Documents were executed, BPD never asked me, individually, and never asked me in my capacity as a member of Project Spokane, to subordinate our security interests to the security interest of BPD, not in writing nor via email nor verbally. I was the CEO of HyperBlock Inc. which had approximately 50 employees, three operating companies, and over \$20,000,000 in annualized revenue. At no time prior to the Notice of Disposition, dated May 19, 2020 (attached as Exhibit 31 to the Nelson Declaration) did BPD file a financing statement with the Delaware Secretary of State in order to perfect its security interest in the HyperBlock LLC collateral or request me and Project Spokane to subordinate our first priority security interests. In fact, BPD never even made me aware that they were hoping to obtain a first-position lien, and lien subordination by me and by Project Spokane. Perhaps needless to say, but BPD also never offered any consideration to me or to Project

Spokane for subordination to them, or for doing anything related to the Bank of Montana loan to Hyperblock LLC.

17. If all the mining servers are put back to work mining for Bitcoin, they will generate \$15,200 a day, per current market conditions.

18. Bitcoin mining servers are highly specialized and become obsolete very quickly. I expect the 1493 servers purchased in January, 2020 for approximately \$2,600,000, have a life span of around two and a half years and to decline to just \$1,000,000 in value within the next year. This equates to a loss of more than \$2700 per day.

19. I declare under penalty of perjury and under the laws of the state of Montana that the foregoing is true and correct.

\_\_\_\_\_  
June 22, 2020, San Juan, Puerto Rico

  
Sean Walsh

